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UNIFORM CLASSIFICATION OF ACCOUNTS

UNIVERSITY OF ILLINOIS
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FOR

WATER CORPORATIONS

PRESCRIBED BY THE

RAILROAD COMMISSION

OF THE

STATE OF CALIFORNIA

Adopted October 23, 1912 Effective January 1, 1913

GAYLORD BROS.
MAKERS
SYRACUSE, N.Y.
PAT. JAN. 21, 1908

UNIFORM CLASSIFICATION OF ACCOUNTS

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SAN FRANCISCO, CALIFORNIA

FRIEND WM. RICHARDSON, SUPERINTENDENT OF STATE PRINTING
SACRAMENTO, CALIFORNIA
1912

RAILROAD COMMISSION OF CALIFORNIA.

JOHN M. ESHLEMAN, *President*_____Commissioner

H. D. LOVELAND_____Commissioner

ALEXANDER GORDON _____Commissioner

EDWIN O. EDGERTON_____Commissioner

MAX THELEN, *Attorney*_____Commissioner

CHARLES R. DETRICK, Secretary.

REMOTE STORAGE

UNIFORM CLASSIFICATION OF ACCOUNTS FOR WATER CORPORATIONS.

Approved October 25, 1912.

To All Water Corporations:

This uniform system of accounts for water corporations is established and issued by the Railroad Commission of the State of California in accordance with provisions of section 48 of law of 1911, known as the "Public Utilities Act," in effect March 23, 1912.

Section 48. "The Commission shall have power to establish a system of accounts to be kept by the public utilities subject to its jurisdiction, or to classify said public utilities and to establish a system of accounts for each class, and to prescribe the manner in which such accounts shall be kept. It may also in its discretion prescribe the forms of accounts, records and memoranda to be kept by such public utilities, including the accounts, records and memoranda of the movement of traffic as well as the receipts and expenditures of moneys, and any other forms, records and memoranda which in the judgment of the Commission may be necessary to carry out any of the provisions of this act. The system of accounts established by the Commission and the forms of accounts, records and memoranda prescribed by it shall not be inconsistent, in the case of corporations subject to the provisions of the act of congress entitled 'An act to regulate commerce,' approved February fourth, eighteen hundred and eighty-seven, and the acts amendatory thereof and supplementary thereto, with the systems and forms from time to time established for such corporations by the Interstate Commerce Commission, but nothing herein contained shall affect the power of the Commission to prescribe forms of accounts, records and memoranda covering information in addition to that required by the Interstate Commerce Commission. The Commission may, after hearing had upon its own motion or upon complaint, prescribe by order the accounts in which particular outlays and receipts shall be entered, charged or credited. Where the Commission has prescribed the forms of accounts, records or memoranda to be kept by any public utility for any of its business, it shall thereafter be unlawful for such public utility to keep any accounts, records or memoranda for such business other than those so prescribed, or those prescribed by or under the authority of any other state or of the United States, excepting such accounts, records or memoranda as shall be explanatory of and supplemental to the accounts, records or memoranda prescribed by the Commission."

Section 1. (*x*) "The term 'Water Corporation' when used in this act, includes every corporation or person, their lessees, trustees, receivers or trustees appointed by any court whatsoever, owning, controlling, operating or managing any water system for compensation within this State."

For the purpose of this system of accounts, water corporations are divided into three classes as follows:

Class A—Corporations having average annual operating revenues exceeding $100,000.

Class B—Corporations having average annual operating revenues less than $100,000, and more than $25,000.

Class C—Corporations having average annual operating revenues less than $25,000.

Any corporation in Classes B and C may keep the more extended division or subdivision of any or all the accounts shown herein; if desired, further refinements or extensions of the scheme of accounts to meet the needs of individual corporations may be made by subdividing the accounts herein established, provided that the integrity of the accounts is not impaired and that the titles and purposes of any accounts so raised shall first be filed with the Railroad Commission.

All accounts shall be kept by the double-entry method by all corporations or persons within the scope of this order. This requirement, however, is not intended to apply to purely statistical accounts.

The first entry relating to anything for which a charge or a credit is made to any fixed capital or investment account shall describe the property in respect of which the entry is made with such fullness and particularity as to enable its identification.

All charges made to fixed capital or other property account with respect to any property acquired on or after January 1, 1913, shall be the actual money costs of the property. When the consideration given and for which a charge is made to any fixed capital or other property account is anything other than money, the actual consideration shall be fully described in the entry, to enable identification, and the amount charged shall be the actual money value of the consideration at the time of the transaction.

Discounts upon securities and other commercial papers issued are to be provided for in other accounts and must in no case be included as part of the cost of any property acquired.

The figures and letters prefixed to the titles of accounts in the following definitions and instructions are solely for convenience of reference, and are not to be considered as part of the title or definition.

All corporations are hereby required on and after January 1, 1913, to keep their accounts in accordance with instructions herein provided.

All corporations operating in more than one incorporated city or partly within and partly without an incorporated city, shall show separate profit and loss accounts for each incorporated city, and a single profit and loss account for all territory not within an incorporated city.

All general expense common to the entire system, together with the expenses and repairs of the pumping, distributing and transmission systems, shall be treated as common to the entire system and pro-rated to the several incorporated cities or other territory on some equitable basis in accordance with the benefits derived.

NOTE.—Corporations will file with the Commission a statement in complete detail and full explanation supporting the basis on which a pro-rate of expenses is made.

In prescribing this system of accounts, the Commission does not bind itself to approve any item set out in any account, either as to amount or character, for rate-fixing purposes or when authorizing the issuance of securities. The prescribed system of accounts is designed to set out the facts in connection with the income, expenditures, etc., and therefrom the Commission will determine, when engaged in fixing rates or approving issues of securities, just what consideration shall be given to the various items in the several accounts.

RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

By CHARLES R. DETRICK, Secretary.

Dated: October 25, 1912.

Commercial Building,
San Francisco, California.

BALANCE SHEET ACCOUNTS.

Definitions and Instructions.

Balance Sheet Accounts defined. By Balance Sheet Accounts are meant those titles under which the ledger accounts are combined and summarized to show the assets, liabilities, and profit or loss of the business at a given time. Where the title and definition of a Balance Sheet Account clearly indicate that it is a summary of other accounts, it is not required that a special ledger account shall be raised under such a title to include the balance, from the accounts usually carried on the ledger.

Assets. The term Assets is an accepted designation of the wealth or money's worth, either actual or nominal, in the possession or control, or at the disposal of the individuals, firms, corporations, or governments, when that wealth or money's worth is considered as resources for satisfying the obligation of debtors to creditors, and those of trustees to their principals; and as a basis of the property rights of owners or stockholders, or as resources classified according to their character, their relation to the principal purpose of the business or enterprise in which they are utilized, their form, or the time when and conditions under which they become owned or controlled by or at the disposal of the individual, firm, corporation or government utilizing or disposing of them.

Corporate deficit is the excess of the expense and deductions over revenue or income, and represents the amount due to the corporation by its proprietors, or proprietary interests, for the replacement of lost invested capital.

Liabilities. In accounting, Liabilities are primarily amounts of money or quantities of other specified forms of wealth which persons, firms, corporations, or governments are under obligation to pay or deliver, or for whose custody, use, payment, or expenditure they are responsible, or amounts representing losses or depreciation of assets incurred but not realized.

Corporate surplus is the excess of revenue or income over expenses and deductions, or portions of the property rights or equity of the proprietors.

ASSET ACCOUNTS.

1. Fixed Capital Installed Prior to January 1, 1913:

In this account (on the balance sheet statement) shall be shown the total of the balance in the ledger accounts representing the corporation's fixed capital which was installed prior to January 1, 1913, and which is still in service at date of the balance sheet. (See text of this account under Account No. C–23, "Fixed Capital Accounts.")

2. Fixed Capital Installed Since December 31, 1912:

This account is a summary of the accounts representing the corporation's fixed capital installed since December 31, 1912, and should show the cost of the fixed capital which has been installed since that date and is still in service at the date of the balance sheet. (For primary fixed capital accounts see Accounts C–1 to C–4, "Intangible Capital," and Accounts C–5 to C–24, "Tangible Capital Accounts.")

3. Cash and Deposits:

A. *Cash.* Charge to this account the amount of current funds available for use on demand in the hands of financial officers and agents, or deposited in banks or with trust companies, and cash in transit for which agents receive current credit.

B. *Special Deposits.* Charge to this account special deposits to pay declared dividends or matured interest, cash realized from the sale of securities held for disbursement when the purposes for which the securities are sold are accomplished; special deposits other than in sinking funds for the payment of debts and interest, not matured; also money and securities deposited to secure the performance of contracts, and other deposits of a special nature not provided for elsewhere.

4. Notes Receivable:

Charge to this account the cost of all collectible obligations in the form of Notes Receivable or other similar evidences of money receivable on demand or within a time not exceeding one year. This does not include interest coupons. Time loans that mature more than one year after date of issue shall be considered as investments and shall not be included in this account.

5. Accounts Receivable:

Charge to this account all amounts owing to the corporation upon accounts with solvent concerns other than banks, also the cost of all accounts and claims (except notes or negotiable bills) upon which responsibility is acknowledged by solvent concerns or which are sufficiently secured to be considered good, and of all judgments against solvent concerns where the judgment is not appealable or suspended through appeal.

The following sub-accounts are provided:

A. *Accounts with System Corporations.* Include in this account amounts due from proprietary, affiliated, controlled, and controlling corporations on open accounts other than those provided for in Account No. 8–B, "Advances to System Corporations for Construction, Equipment and Betterments."

B. *Due from Consumers and Agents.* Include in this account amounts due from consumers and agents for services rendered or billed.

NOTE.—Accounts with consumers and agents shall be kept in such manner as will enable corporations to show amounts due from consumers and agents for current accounts, for delinquent accounts, and amounts due from consumers whose service has been suspended.

C. *Miscellaneous Accounts Receivable.* Include in this account amounts due from employees for working funds advanced, and amounts due from miscellaneous debtors upon open accounts considered collectible.

6. INTEREST AND DIVIDENDS RECEIVABLE:

Charge to this account all interest considered collectible accrued but not yet collected upon bonds, notes or other commercial paper, held by or for the benefit of the corporation; all dividends declared or guaranteed by solvent concerns but not yet collected, the right to which is in the corporation.

7. OTHER CURRENT ASSETS:

Charge to this account the cost of all current assets which are not includible under any of the foregoing accounts. By Current Assets are meant only those things that are readily convertible into money and which are held not as investments, but with the intent of being presently converted into money.

8. INVESTMENTS:

This account includes the cost of all properties acquired or held not for use in present operations, but as a means of obtaining and exercising control over other corporations, or for income to be derived from them, or for a rise in value, or for devotion to future operations, and for securing other business advantages that may seem possible through their acquisition and possession.

It is subdivided as follows:

A. *Securities of Other Corporations.* Include in this account the cost of stocks and bonds and other evidences of indebtedness issued by other companies. This account does not include any stocks, bonds, or other evidences of indebtedness issued or assumed by the accounting corporation. Class A corporations will subdivide this account so as to show separately the cost of

a. Stocks of System Corporations.
b. Funded Debt of System Corporations.
c. Miscellaneous Stocks.
d. Miscellaneous Bonds.

NOTE.—In the annual reports to the Railroad Commission, investments will be required to be classified so as to show those held subject to a lien of some character and those held free of all lien or pledge.

B. *Advances to System Corporations for Construction, Equipment and Betterments.* Include in this account advances to proprietary, affiliated, controlled and controlling corporations to enable such corporations to pay for construction, equipment, additions, and betterments, when such advances are of a permanent nature (*i. e.,* where there is not an understanding that the advances are to be repaid within one year) or when it is understood and intended that reimbursement shall be made by the issue of the securities of the debtor corporation.

NOTE.—Temporary advances on open accounts to system corporations and such advances for purposes other than construction, equipment, additions and betterments shall be included in accounts receivable.

C. *Miscellaneous Investments.* Include in this account all other investments of a permanent nature in intangibles and in physical property not held for the operation of the company's plant as a water system.

NOTE.—In the annual reports to the Railroad Commission, investments will be required to be classified so as to show those held subject to a lien of some character and those held free of all lien or pledge.

9. MATERIALS AND SUPPLIES:

Charge to this account the cost (including transportation) of all materials and supplies acquired, and the value of discarded equipment and of equipment, materials, and supplies returned to store, regardless of whether the same are intended to be consumed in construction or in operation, or later to be sold. Where discounts recovered through prompt payment are not credited to the particular bills, the cost at which such materials and supplies shall be charged shall be the invoice cost, and any discounts recovered through prompt payment of bills for such materials and supplies shall be credited to Account No. C–20, "Interest During Construction," or to Account No. E–45, "Undistributed Adjustments-Balance," according as such materials and supplies are intended for construction or for operation.

When the use of any tangible fixed capital is discontinued it shall be treated as retired; the original cost of such capital shall be credited to the fixed capital account in which carried, and its value, if any, as second-hand material or junk shall be charged to this account, or an appropriate sub-account. If such value is not known and cannot readily be determined, it shall be estimated, and errors in such estimates, when determined, shall be adjusted through the accounts involved during the year in which the estimates were made; if later, then through the "Corporate Surplus or Deficit" account.

Inventories of materials and supplies shall be taken at least annually, and any shortages or overages disclosed by such inventories shall be credited or debited to this account and debited or credited to Account No. E–45, "Undistributed Adjustments-Balance," or to Account No. 4, "Supply Expense" (if that account is used), in case such shortages or

overages cannot be assigned to specific accounts. Shortages may, however, be charged directly to "Corporate Surplus or Deficit." Where materials and supplies from stores have been used in construction, and it is estimated that part of the shortage or overage is due to such materials and supplies having been actually applied to construction, a proper proportion of the inventory shortage or overage should be charged or credited to Account No. C–19–E, "Miscellaneous Construction Expenditures," directly or through Account No. 4, "Supply Expense."

10. Sinking Funds:

Charge to this account the amount of cash and the cost of live securities in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations, also amounts deposited with such trustees on account of mortgaged property sold. A separate account shall be raised for each sinking fund. When any security of the same issue as that for which a sinking fund is created is acquired through the operation of the sinking fund, the par value of the security shall be charged to the liability account to which it stands credited and not to the sinking fund account.

11. Other Special Funds:

Charge to this account the amount of cash and the cost of securities held in trust by or for the corporation in insurance funds, pension funds, hospital funds, and other similar special funds not provided for in the preceding accounts. A separate account shall be raised for each fund.

Note.—Securities issued or assumed by the corporation may be included among the assets of special funds only when they represent the actual investment of funds held in trust and when the fund so held would share in the distribution of assets covered by the securities in case of foreclosure or dissolution.

12. Treasury Securities:

Charge to this account the par value of all stocks and bonds which have been authorized and issued by the corporation or assumed by it and held by the Treasurer or other fiscal agent of the corporation for its benefit. When such securities are sold their par value shall be credited to this account.

13. Prepaid Expenses:

A. *Prepaid Rents.* Charge to this account the amount of rents paid in advance of the enjoyment of the term. As the term is consumed, credit this account at monthly intervals and debit the appropriate rent account with the amount applicable to the month.

B. *Prepaid Taxes.* Charge to this account the excess of taxes paid over the amount properly chargeable to Income or other accounts as shown by the debit balance in the Tax Liability account. (See Account No. 26, "Taxes Accrued.")

C. *Prepaid Insurance.* When premiums on insurance policies are paid in advance of their accrual, the amount prepaid shall be charged to this account. As such premiums accrue, they shall be credited at monthly intervals to this account and charged to the appropriate expense account.

D. *Other Prepayments.* When prepayments are made for anything other than as provided for in the three preceding accounts, the amount of such prepayments shall be included in this account.

14. Unamortized Discount on Securities and Expense:

When capital stock, funded debt securities and other evidences of indebtedness are disposed of for a consideration whose cash value is less than the sum of the par value of the securities or other evidences of indebtedness and the interest thereon accrued at the time the transfer takes place, the excess of such sum of the par value and accrued interest over the cash value of the consideration received shall be charged to this account. To this account shall also be charged all expense connected with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds; cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper having a life of more than one year; fees paid trustees, provided for in mortgages and trust deeds; fees and commissions paid underwriters and brokers for marketing such evidences of debt, and other like expense. At or before the close of each fiscal period thereafter, a proportion of such discount and expense on securities representing indebtedness based upon the life of the security to maturity shall be credited to this account and charged to Account No. 109, "Amortization of Debt Discount and Expense." Such discount and expense may, if desired, be amortized more rapidly through charges of all or any part of it, either at the time of issue or later, to Account No. 114–G, "Other Deductions from Surplus."

15. Other Suspense:

This account includes all debits not elsewhere provided for and the proper final disposition of which is uncertain. It will include all such matters as expense of preliminary surveys, plans, investigations, etc., made for determining the feasibility of projects under contemplation. Should any such project later be carried to completion, such amounts shall be credited to this account and charged to the proper capital account or accounts; should it be abandoned, such amounts shall be charged to "Corporate Surplus or Deficit."

When the proper disposition of any matter charged to this account is determined, it shall be credited to this account and charged to the appropriate account or accounts.

16. Construction Work in Progress:

In this account may be included amounts expended upon plant that is in process of construction under estimates or work orders but is not ready for service at the date of the balance sheet. It includes, also, such proportion of plant supervision expenses, engineering expenses, tool expenses, supply expenses, and general expenses as may be properly chargeable to the construction work included under this account.

When the work is completed on any job, the cost of which has been included in this account, the sub-account covering that job shall be credited with the amount at which it stands charged, and the appropriate fixed capital or other accounts shall be concurrently charged; but in no case shall any expenditure be carried in this account beyond the close of the fiscal year next succeeding that in which the expenditure is made.

17. Corporate Deficit:

Under this head should be shown the debit balance, if any, in the "Corporate Surplus or Deficit Account."

LIABILITY ACCOUNTS.

18. Capital Stock:

To this acount should be credited the par value of the capital stock issued and outstanding, including any that may be in the corporation's treasury, or held in trust for it, or in sinking or other funds.

19. Installments on Stock Subscription:

To this account should be credited the amounts received for capital stock to be paid for in installments, until such stock is issued.

20. Funded Debt:

The funded obligations of the Corporation shall be divided into classes, each class agreeing in the following four characteristics:

1. Mortgage or other lien, or security therefor.
2. Rate of Interest.
3. Interest Date.
4. Date of Maturity.

A separate sub-account shall be opened for each mortgage, note, or other lien or security, and no accounts or debts not agreeing in the characteristics as above shall be included in the same sub-account.

To the proper sub-account shall be credited when issued the total receipts from the sale of evidence of indebtedness secured by the mortgage, etc. The entry in any account shall show also the purpose for which funded debt is issued and shall make intelligible reference to the book, page, and account wherein are shown any discount or premium realized on the amount issued or assumed.

If the consideration received for the indebtedness is other than money the entry shall show to whom issued and shall describe with sufficient particularity to identify the actual consideration received.

If the issue in any case is to an agent of an undisclosed principal, the name and address of agent and the fact of his agency must be shown in the entry; also short time securities or notes and mortgages payable which are due at a date over one year in the future.

21. Receiver's Certificates:

When any receiver acting under the orders of a court of competent jurisdiction is in possession of the property of the corporation and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates shall be credited to this account. Interest accruing upon such certificates shall also be credited monthly to this account.

22. Advances from System Corporations for Construction, Equipment and Betterments:

Credit this account with advances from proprietary, affiliated, controlled and controlling corporations to enable the accounting corporation to pay for construction, equipment, additions and betterments when such advances are of a permanent nature (*i. e.*, where there is not an understanding that the advances are to be repaid within one year) or when it is understood and intended that a reimbursement shall be made by the issue of the securities of the debtor corporation.

Note.—Temporary advances on open accounts for system corporations and such advances for purposes other than construction, equipment, additions and betterments shall be included in accounts payable.

23. Notes Payable:

When any note or draft which matures not later than one year after date of issue or of demand is issued or the primary liability thereon assumed by the corporation, the par value thereof shall be credited to this account and when it is paid it shall be charged to this account and credited to "Cash" or other suitable account except secured notes proper to be included in Account No. 20, "Funded Debt."

24. Accounts Payable:

A. *Accounts with system corporations.* Credit to this account the amounts owing to proprietary, affiliated, and controlled or controlling corporations on open accounts other than those provided for in Account No. 22, "Advances from System Corporations for Construction, Equipment and Betterments."

B. *Audited vouchers and wages unpaid.* Credit to this account the amount of audited vouchers or accounts and audited payrolls unpaid on the date of the balance sheet. Include also the amount of unclaimed

wages and outstanding pay and time checks issued in payment of wages.

C. *Consumer's Deposits.* Credit to this account as such deposits are made all cash deposited with the corporation by consumers for water service as security for the payment of bills. Deposits refunded should be charged to this account and credited to cash. Deposits applicable to uncollectible water bills should be credited to the account of the consumer and debited to this account.

D. *Miscellaneous Accounts Payable.* Credit to this account all amounts owing to miscellaneous creditors on open accounts and not provided for elsewhere.

25. Interest Accrued:

Credit to this account at the close of each month the interest accrued during the month upon the interest-bearing indebtedness, issued or assumed by the corporation, except interest on judgments and receivers' certificates. When such interest is paid it should be charged to this account and credited to "Cash" or other suitable account. The interest accruing on any judgment against the corporation or upon any receivers' certificates shall be credited to the account to which such judgment or receivers' certificates stand credited.

26. Taxes Accrued:

To this account should be credited taxes that have accrued but are not yet due. The full amount of taxes for the year should be estimated and charged equally (one twelfth) to the expenses (Account No. E–50) of each month, with corresponding credit to this account; as soon as the amount of the taxes for the period is known, the accounts should be adjusted to conform. When taxes become due and are vouchered, they should be charged to this account.

27. Dividends Declared:

When any dividend is declared, the amount of the dividend shall be credited to this account and here remain until it is paid, when the amount of the payment shall be charged to this account and credited to "Cash" or other suitable account.

28. Service Billed in Advance:

When bills are made for water to be furnished in future months, and the amount of the bills is included in "Accounts Receivable," but not in the revenue accounts, the proportion of the bills applicable to future months shall be credited to this account. As the term for which the bills are made expires, the appropriate revenue account should be credited and this account debited with the amount applicable to the current month.

29. Reserve for Accrued Depreciation:

Credit to this account or to appropriate sub-accounts such amounts as are concurrently charged to Account No. E–52, "Depreciation of Plant and Equipment." Charge to this account or to appropriate sub-accounts (except as prescribed in the notes hereunder) the realized depreciation in the several classes of tangible fixed capital; that is, the difference between the *original cost* (estimated if not known) of property relinquished, retired, or destroyed, and the value of any salvage recovered. Charge also to this account such part of the expenditures for repairs concurrently credited to Account No. E–49, "Repairs Charged to Reserves—Cr." as may have been provided for in estimating the rate of depreciation. (See Account No. E–52, "Depreciation of Plant and Equipment.")

Note A.—When any property is retired which was installed prior to the raising of the "Reserve for Accrued Depreciation," only such portion of the realized depreciation shall be charged to the reserve as is due to life in service after the establishment of the reserve; this portion may be estimated on the basis of the proportion which the life in service of the property in question after the establishment of the reserve bears to its entire life in service. The remainder of the realized depreciation shall be charged to Account No. 114–B, "Realized Depreciation Not Covered by Reserves," unless the corporation has on its books a depreciation reserve accumulated prior to the establishment of the prescribed depreciation rules, in which case such other remainder, or so much of it as may be provided for, shall be charged to such other reserve account.

Note B.—When any property is retired whose *book value* has been reduced by writing off estimated depreciation, only that part of the realized depreciation which has not already been written off shall be charged as above to the "Reserve for Accrued Depreciation," or Account No. 114–B, "Realized Depreciation Not Covered by Reserves."

Note C.—When any property is retired whose *book value* is greater than the known or estimated cost, such excess shall be charged to "Corporate Surplus or Deficit" and the realized depreciation shall be charged as elsewhere directed.

Note D.—If any property is sold for more than its original cost, the amount of depreciation, if any, accrued and credited to a reserve in respect thereof, shall be determined as accurately as possible and charged to such reserve. The sum of the amount so charged and the excess of the selling price over the cost of the property shall be credited to Account No. 115, "Miscellaneous Additions to Surplus."

30. Reserve for Amortization of Intangible Capital:

Credit to this account such amounts as are concurrently charged to Account No. 111–B, "Amortization of Landed Capital," and to Account No. E–51, "Amortization of Franchises and Patents." Charge to this account when any franchise, patent, or landed capital expires or is relinquished, the amount at which it stood charged in the corporation's fixed capital accounts, or such amount as has been previously credited to this reserve in respect of such capital if the amortization has not been fully accomplished. That portion of its cost which has not been covered by credits to the reserve or previously written off shall be charged to "Corporate Surplus or Deficit" account as "Amortization Unprovided for Elsewhere."

31. Unamortized Premium on Debt:

When funded debt securities or other evidences of indebtedness issued or assumed by the corporation are disposed of for a considera-

tion whose cash value is greater than the sum of the par value of such securities or other evidences of indebtedness and the interest thereon accrued at the time the transfer takes place, the excess of the cash value of such consideration received over the sum of the par value of the securities or other evidence of indebtedness and the accrued interest shall be credited to this account. At monthly intervals thereafter a proportion of such premium based upon the life to maturity of the security or other evidence of indebtedness shall be charged to this account and credited to Account No. 110, "Amortization of Premium on Debt—Cr." in the Income account.

32. Casualty and Insurance Reserves:

When any admitted liability arises because of loss or damage to the property of others, or of injuries to employees or other persons, the amount of the liability may (if not previously provided for by insurance or self-insurance) be charged to the appropriate operating expense or other accounts and credited to this account, against which (in such case) the actual cost of satisfaction of the liability shall be charged when the matter is determined. If the extent of the liability can not be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter shall be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the corporation, the indemnifiable portion of the loss shall be charged to the insurer and credited to "Casualty and Insurance Reserves." Also credit to this account the amounts charged to operating expense Account No. E–42, "Insurance," to cover self-carried risks.

33. Income Invested Since December 31, 1912, in Fixed Capital:

Credit to this account such amounts from income or surplus as are definitely set aside to cover expenditures for extensions or improvements of the fixed capital of the accounting corporation; such appropriations include those made discharging the principal (less the discount, if any, suffered at the time of sale) of any obligations incurred in the acquisition of any property whose cost is carried in the fixed capital accounts. The amounts credited to this account shall be concurrently charged to "Corporate Surplus or Deficit" account as "Appropriations to Reserves."

This account should not include temporary appropriations for the acquisition of property the cost of which is intended later to be met by an issue of securities, nor appropriations for the payment of obligations which are intended to be replaced by new issues.

34. Reserves Invested in Sinking Funds:

Credit to this account appropriations from surplus specifically invested or set aside in the hands of trustees for sinking and redemption funds, including accretions to such funds.

35. Other Reserves from Income or Surplus:

Credit to this account all appropriations of income or surplus held in reserve, other than appropriations invested in fixed capital since December 31, 1912, and appropriations invested in sinking or redemption funds. A separate sub-account shall be raised for each reserve, and the entries in such sub-accounts will be required to be shown separately in the annual report to the Railroad Commission.

This account includes the unexpended balance, if any, of appropriations intended to be invested in fixed capital, and such appropriations to sinking or redemption fund reserves as are not specifically invested.

36. Corporate Surplus Unappropriated:

Under this head should be shown the credit balance, if any, in the "Corporate Surplus or Deficit" account.

FIXED CAPITAL ACCOUNTS.

Fixed Capital Defined:

By the *fixed capital* of a corporation is meant the property, both tangible and intangible, which is devoted to the accomplishments of the principal purposes of its business and which has an expectation of life in service of more than one year from date of installation in service (exception being made in the case of hand tools and other small portable tools that may be lost or stolen).

Cost of Fixed Capital:

The term "Cost" as used in the texts for fixed capital accounts means the *original* cost to the corporation. It includes not only the costs of labor, materials and supplies directly employed or consumed in the construction and installation of property classed as fixed capital, but also the cost of preliminary plans and surveys and such portion of the expenses for engineering and plant supervision and general expenses as may be chargeable to the fixed capital accounts under an equitable plan for the apportionment of such expenses.

Intangible Capital.

C–1. Organization:

Charge to this account all fees paid to governments for the privilege of incorporation, and all office and other expenditures incident to organizing the corporation or other enterprise and putting it in readiness to do business. This includes the cost of preparing and distributing

prospectuses, the cost of soliciting subscriptions for stock (but not for loans nor for the purchase of bonds or other evidences of indebtedness), cash fees paid to promoters, and the actual cash value at the time of organization of securities paid to promoters for their services in organizing the enterprise; counsel fees; cost of preparing and issuing certificates of stock, and cost of procuring certificates of necessity from state authorities, and like other costs. This account shall not include any discounts upon stocks or other securities issued, nor shall it include any costs incident to negotiating loans or selling bonds or other evidence of indebtedness.

NOTE.—Costs incident to preparing and filing certificates of authorization of increase of capital stock, and to the negotiation and issue of stock thereunder, are classed as additions. The cost of preparing and filing certificates of amendment of articles of incorporation is classed as a betterment. The cost of preparing and filing papers in connection with the extension of the term of incorporation or with reincorporation consequent upon reorganization shall be classed as a renewal.

C–2. FRANCHISES AND WATER RIGHTS:

Charge to this account the amount (exclusive of any tax or annual charge) actually paid to the State, or to a political subdivision thereof, as the consideration for the grant of such franchise or water right as is necessary to the conduct of the corporation's water operations. If any such franchise is acquired by assignment, the charge to this account in respect thereof must not exceed the amount actually paid therefor by the corporation to its assignor.

Any excess of the amount actually paid by the corporation over the amount paid by the original grantee to the grantor of the franchise shall be charged to Account No. 4, "Other Intangible Capital." If any such franchise has a life of not more than one year after the date when it is first exercised by the corporation, it shall not be charged to this account but to the appropriate accounts in operating expenses (or in Account No. 13–D, "Other Prepayments," if extending beyond the *fiscal* year).

NOTE.—Payments made to the State or to some subdivision thereof as a consideration for granting an extension for more than one year of the life period of a franchise are classed as renewals. Those made as a consideration for franchises or extensions thereof covering additional territory to be operated as part of an existing system are classed as additions. If the franchises cover separate and distinct new plants the payments therefor are classed as original capital. Annual or more frequent payments in respect of franchises must not be charged to this account but to the appropriate tax or operating expense account.

C–3. PATENT RIGHTS:

Charge to this account the cost of all rights (having a life of more than one year from the date when placed in service) acquired by the corporation in or under valid patents granted by the United States to inventors for inventions and discoveries which are necessary to the economical conduct of the corporation's water operations.

NOTE.—If a patent right is extended to cover a further period of time than that covered by the original grant, the cost of such extension is classed as a renewal. A patent right acquired for use in an existing system and necessary to the economical operation thereof is classed as an addition.

C–4. Other Intangible Capital:

Charge to this account the cost of all other intangible capital devoted to water operations. Entries of charges to this account shall describe the acquired property with sufficient particularity clearly to identify it, and shall also show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated if not known, and if estimated, the facts upon which the estimate is based.

Class B and C corporations may consolidate these four accounts, carrying one account, "Intangible Capital."

TANGIBLE CAPITAL.

Landed Capital.

C–5. Land Devoted to Water Operations:

Charge to this account the cost of the accounting corporation's landed capital which is devoted to water operations as hereinbefore defined. This includes land occupied by pumping plants and their appurtenances and rights of way for transmission and distribution lines and other pipe lines, where such rights have lives in excess of one year from the date when such land is placed in service. Such cost includes, when assumed or paid by the purchaser in its own behalf, cost of registration of title, cost of examination of title, conveyancer's and notary's fees, purchasing agent's commission or fees, or proportion of purchasing agent's salary, taxes accrued to date of transfer of title, and all liens upon the title acquired; also cost of obtaining consents and payments for abutting damages.

Note A.—Cost of buildings and other improvements must not be included in this account.

Note B.—If at the time of acquisition of an interest in lands it extends to buildings or other improvements thereon, which improvements are devoted by the corporation to its water operations, and the contract of acquisition does not determine the price of such improvements, they shall be appraised at their fair cash value for use in such operations, and such appraised value shall be charged to the appropriate structures account, and excluded from the account "Land Devoted to Water Operations." If such improvements are not devoted to water operations but are devoted to other operations or held as investments, the cost (or appraised value if the cost is not determined in the contract of acquisition) shall be charged to the appropriate investment account or capital account for other operations. If the improvements are removed or wrecked, the salvage (less the cost of removal or wreckage) shall be excluded from the account "Land Devoted to Water Operations." The entries in this account must be made in such wise as to enable the corporation to show in its annual report to the Railroad Commission the subdivision of the cost of its land devoted to water operations into the following:

Land occupied by Pumping Plants.
Land occupied by Reservoirs, Tank and Standpipes.
Water Rights.
Other Land Devoted to Water Operations.

Pumping Capital.

C–6. Buildings, Structures, Etc.:

Charge to this account the cost of all buildings, structures and improvements such as pumping stations, purification and reservoir structures, dams and ditches, intake structure, steam, electric and gas pro-

duction structures, coal and other fuel sheds, and other storage buildings and structures, tanks and standpipes, and other buildings and structures connected therewith, and all fixtures attached to such structures and a permanent part thereof—together with fences, walks, trestles, drives, grading and improvements of grounds. Machinery foundations and settings, if designed as a part of the permanent construction of the buildings and independent of their use in connection with any particular unit of equipment, shall be charged to this account. If, however, such foundations and settings are prepared especially for certain units of equipment and designed to last no longer than such unit, the cost thereof should be charged to "Pumping Equipment Account."

NOTE.—The accounting corporation may, if it so desires, subdivide the accounts under sub-accounts A, B, C, etc., in order to show the detail of cost of various buildings and structures.

C–7. PUMPING EQUIPMENT:

Charge this account with the cost of all equipment and apparatus used in the pumping of water and all processes performed upon it at the station up to its delivery to the transmission or distribution mains. This includes the cost of steam engines and turbines, hydraulic power equipment, electric prime movers, gas engines and turbines, pumps and pump equipment, furnaces, boilers, their foundations and settings, condensers, vacuum pumps and oiling systems, power transmission equipment, such as shafting, belting, rope and cable drives, gearing, pulleys, etc., smokestacks, feed pumps, piping, valves and all steam, hydraulic, electric and gas power pumping equipment, together with necessary tools and appliances.

NOTE.—The accounting corporation may, if it so desires, subdivide this account, under sub-accounts A, B, C, etc., in order to show the details of cost of various classes of equipment.

C–8. COLLECTING AQUEDUCTS, INTAKES AND SUPPLY MAINS:

Charge this account with the cost of all aqueducts, intake and supply mains used for gathering and collecting water and transmitting the same from the source of supply to the pumping station. This includes the cost of masonry and concrete aqueducts and channels, wells and casing, piping and conduits, together with the necessary bracing, digging and repaving in connection therewith and all necessary valves, screens, wet wells, gratings, submerged and exposed cribs, intake towers, sluice gates, etc.

C–9. PURIFICATION SYSTEM:

Charge this account with the cost of all apparatus and equipment used for purification of water. This includes settling basins, filter beds, mechanical filters, and all auxiliary apparatus for purifying water, together with protecting structures erected in connection therewith.

C–10. MISCELLANEOUS PUMPING EQUIPMENT:

Charge to this account the cost of all miscellaneous equipment; this includes horses, wagons, harness, automobiles, motorcycles, bicycles, furniture and fixtures (when not a permanent part of buildings, etc.), roads, trestles, bridges, etc.

Distribution Capital.

C–11. TRANSMISSION MAINS:

Charge to this account the cost of all transmission mains used for delivering water from the pumping station to the distribution reservoirs or mains; this includes the cost of all trenching, placing transmission main pipe, special castings, lead packing, shut-offs, manholes, valves and the cost of filling trenches, and restoring the surface of the street to its former condition as required by the municipal authorities.

C–12. DISTRIBUTION MAINS:

Charge to this account the cost of all distribution mains in place. This includes all mains used in the distribution of water to the beginning of the service connections, including the cost of all trenching, placing distribution main pipe, special work and castings, lead packing, shut-offs, manholes, valves and the filling of trenches and restoring the surface of the street to its former condition as required by the municipal authorities.

C–13. SERVICES:

Charge to this account the cost of corporation's property in services in or leading to the consumers' premises. This includes the cost of material in place, the cost of trenching for placing services, service pipe, service boxes, stopcocks, etc., and the cost of filling the trenches and restoring the surface to its proper condition. Where consumers are required to pay part or all of the cost of services, only that portion of the cost not chargeable to the consumers is chargeable to this account, and in all cases where only a portion of the cost of service is chargeable to this account the entry shall show the transactions in full. Where services extending only from the main to the curb line or to the lot line are placed before actually required for the purpose of supplying consumers, the entry of the cost should show that fact. Such services will be required to be separately reported to the Railroad Commissioners, in the annual report.

C–14. HYDRANTS, FIRE CISTERNS, FOUNTAINS, ETC.:

Charge to this account the corporation's property in all hydrants, fire cisterns, basins, fountains and troughs; this includes all material in place, the cost of trenching for placing hydrants, hydrant connections, masonry and concrete in connection with construction of basins

and cisterns, and all foundations and settings for fountains and troughs and restoring the pavement to its original condition.

C–15. METERS:

Charge to this account the cost of the corporation's property in all meters used in measuring water sold to consumers. This includes the cost of first setting of the meters, the first set of meter fittings, and connections in the premises of the consumer, or such portion of the cost as is borne by the corporation. The cost of changing the position of the meter or its removal should not be charged to this account.

C–16. MISCELLANEOUS DISTRIBUTION EQUIPMENT:

Charge to this account the cost of all miscellaneous equipment used in the distribution of water and which is not includible in the foregoing accounts. This includes tools and appliances, (working stock only) horses, wagons, harness, automobiles, motorcycles, bicycles, furniture and fixtures (when not a permanent part of buildings, etc.), roads, trestles and bridges, etc., where a part of the distribution system.

General Capital.

C–17. GENERAL STRUCTURES:

Charge to this account the cost of all buildings and other structures of a permanent character devoted to general corporate purposes, not restricted to water operations and not includible in any of the departmental accounts; also of all fixtures permanently attached thereto and made a part thereof, such as water pipes and fixtures, steam pipes and fixtures for warming and ventilating, gas pipes and fixtures for lighting, etc., electric wiring and fixtures for lighting, signaling, etc.; elevators, etc.; and the engines and motors specially provided for operating them; furnaces, boilers, etc., specially provided for producing steam for such engines and for heating; electric generators specially provided for producing current for lighting such buildings, etc. This account includes such piers and other foundations for machinery and apparatus as are designed to be as permanent as the buildings in (or in connection with) which they are constructed, and to outlast the first machinery or apparatus mounted thereon.

NOTE A.—Among such buildings may be mentioned general office buildings, general shop buildings, general storehouses, general stable buildings, etc.

NOTE B.—When furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a general building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate departmental capital account, and no part to the account, "General Structures."

NOTE C.—The cost of specially provided foundations, not expected to outlast the machinery or apparatus mounted thereon, should be charged to the same account as is the cost of the machinery or apparatus for which they are provided.

C–18. General Equipment:

Charge to this account the cost of all equipment of general structures, as provided under the following heads:

A. *General Office Equipment.* This includes the cost of all equipment of general offices, such as desks, chairs, tables, movable safes, filing cases, drafting-room equipment, and other like office appliances and equipment; also engineering instruments.

B. *General Shop Equipment.* This includes the cost of all equipment specially provided for general shops, such as furnaces, boilers, gas producers, engines, electric generators, and other power apparatus used in operating machinery in such shops; machine tools, cranes, hoists, shafting, belts and the like shop equipment; also such smithing equipment in general shops as is used principally for other general purposes than shoeing horses and repairing vehicles.

Note.—Hand and other small portable tools liable to be lost or stolen shall not be included herein, but portable tools and apparatus of special value may be charged to this account and remain herein so long as record is kept of the persons to whom such tools and apparatus are issued and such persons are made responsible therefor.

C. *General Store Equipment.* This includes the cost of all equipment of general store structures, such as movable counters, movable shelving, and other movable equipment of like nature, carts, barrows, trucks, etc., and other apparatus and appliances used in handling materials and supplies.

Note.—Counters, shelving and the like which are permanently attached to the structure shall be charged to Account No. C–17, "General Structures," and not to this account.

D. *General Stable and Garage Equipment.* This includes the cost of all equipment of general stables and garages including horses, harness, drays, wagons, automobiles and other vehicles, equipment of shoeing shops, harness repair shops, vehicle repair shops, etc.

C–19. Undistributed Construction Expenditures:

This account includes the expenditures provided for in the following sub-accounts, when such expenditures cannot be satisfactorily allocated to the fixed capital accounts to which they relate. Upon the retirement or withdrawal of any property with respect to which any charge is included in this account or any sub-account hereunder, there shall be credited to this account or the appropriate sub-account such part of the undistributed expenditures during construction (estimated if not known) as may be applicable to the property withdrawn or retired.

A. *Engineering and Superintendence.* Charge to this account all expenditures for services of engineers, draftsmen and superintendents employed on preliminary and construction work, and expenses incident to teh work of such employees when the expenditures can not be assigned to specific construction accounts.

B. *Law Expenditures During Construction.* Charge to this account general law expenditures incurred in the construction of the water plant, such as the pay and expenses of counsel, solicitors and attorneys, their clerks and attendants, and expenses of their offices; the cost of printing briefs, legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suits and payments of special fees, notarial fees and witness fees, and court expenses. When any of the expenditures enumerated herein can be charged directly to the account for which incurred, they shall be so charged, and not to this account. Law expenditures in connection with the organization of the corporation shall be charged to Account No. 1, "Organization."

C. *Injuries and Damages During Construction.* Charge to this account all damage to or destruction of property other than that owned by the corporation, caused directly in connection with the construction of the works, all expenses incident to injuries or death of employees and other persons for which the corporation is held liable. This includes such expenses as judgments, court costs, salaries and expenses, or fees of physicians, surgeons, expenses of undertakers, nurses, and hospital expenses, medical and surgical supplies, contribution to hospitals during the period of construction of the plant, transportation of injured persons, salaries paid to employees while disabled, the salaries and expenses of claim agents, adjusters, and their assistants. The compensation of the general solicitors or counsel of the corporation while engaged in the defense and settlement of damage or injury sustained will also be charged to this account.

D. *Taxes During Construction.* Charge to this account all taxes and assessments levied and paid on property belonging to the corporation while under construction and before the plant is opened for operation, except special taxes assessed for street and other improvements, such as grading, sewering, curbing, guttering, paving, sidewalks, etc., which shall be charged to the account to which the property benefited is charged.

E. *Miscellaneous Construction Expenditures.* Charge to this account salaries and expenses of executive and general officers of the corporation before it is ready to begin operations; clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the office expenses; insurance during construction; also construction and equipment items of a special and incidental nature which can not properly be charged to any other fixed capital account.

NOTE A.—This account may include a suitable proportion of store expenses when such expenses are not assignable to specific materials.

NOTE B.—This account shall not include any costs of organization, or any costs or discounts connected with the issue and disposal of stocks, bonds, or other securities, or commercial paper.

C–20. Interest During Construction:

Charge to this account the interest accrued upon all moneys (and credits available upon demand) acquired for use in connection with the construction and equipment of the property from the time of such acquisition until the construction is ready for use. Interest receivable accrued upon such moneys and credits shall be credited to this account. Credit to this account also discount realized through prompt payment of bills for materials and supplies used in construction, unless such discounts are credited to the bills to which they apply.

If any property with respect to which an interest is included in this account is withdrawn or retired from service, the amount of such interest (estimated if not known) shall be credited to this account and charged off as part of the original cost of the property so retired. No interest upon expenditures for replacements, renewals, or reconstruction shall be included in this or any other fixed capital account unless proper credits are made to the appropriate fixed capital accounts for any interest included in such accounts in respect of property retired or withdrawn.

C–21. Cost of Plant Purchased in Lieu of Plant Constructed:

Charge to this account the cost of the waterworks purchased in case the plant of the corporation is obtained by purchase instead of being constructed by it.

The entry to this account should show with sufficient detail the name of the parties from whom purchased, the purchase price and other facts pertinent to such sale. All books and records should be retained at time of purchase. The Railroad Commission will require full and complete details of all transaction of purchase.

C–22. Fixed Capital in Other Departments:

Charge to this account the cost of all property of the corporation, both tangible and intangible, devoted to its operations other than water, not including investments as defined in Account No. 8, "Investments."

C–23. Fixed Capital Installed Prior to January 1, 1913:

In this account (on the balance sheet statement) shall be shown the total of the balances in the ledger accounts representing the corporation's fixed capital which was installed prior to January 1, 1913, and which is still in service at the date of the *balance sheet.*

The accounts representing the fixed capital of the corporation as carried on its books at the close of December 31, 1912, shall be so designated upon the books of the corporation as to show clearly that they relate only to fixed capital installed prior to the close of that date. No debits shall be made to such accounts with respect to any property

subsequently acquired, but the cost of such property shall be charged to the accounts hereinbefore provided. When any property acquired prior to January 1, 1913, is withdrawn or retired from service, the amount at which it stands charged shall be credited to the account in which it is charged and concurrent debits shall be made (1) to "Cash," "Materials and Supplies," or other account, as may be appropriate, for the value of any salvage; (2) to Account No. 29, "Reserve for Accrued Depreciation," or to Account No. 30, "Reserve for Amortization of Intangible Capital," for the amount of depreciation or other amortization applicable to the period subsequent to December 31, 1912; and (3) to "Corporate Surplus or Deficit account" for the remainder of the amount at which the property is carried in the accounts for fixed capital; unless the corporation had on that date a reserve for retirements, in which case the latter amount, or so much of it as may be applicable, shall be charged to such reserve account.

NOTE.—In the reports to the Railroad Commission, a statement will be required showing the names of the accounts for fixed capital actually carried by the corporation on December 31, 1912, and the balances therein at the date of the report.

C–24. FIXED CAPITAL INSTALLED SINCE DECEMBER 31, 1912:

This account is a summary of the accounts representing the corporation's fixed capital since December 31, 1912, and should show the cost of the fixed capital which has been installed since that date and is still in service at the date of the balance sheet. (For the primary Fixed Capital accounts, see Account C–1 to C–4, "Intangible Capital," and Accounts C–5 to C–23, "Tangible Capital.")

INCOME ACCOUNT.

INCOME ACCOUNT DEFINED:

The income account brings together those accounts that show the total amount of money that the corporation has received or becomes entitled to receive for services rendered during a given period, the return accruing during the period upon investments, and the disbursements and obligations incurred that affect the disposition of the amounts so received or accrued. The following accounts make up the income account statement and should be closed into the Income Account at the close of the year or other fiscal period.

101. OPERATING REVENUES:

Include in this account the total operating revenues of the corporation for the period covered by the income statement. See Accounts R–1 to R–9, inclusive, under "Operating Revenue."

102. OPERATING EXPENSES:

Include in this account the total operating expenses of the corporation for the period covered by the income statement. (See Accounts E–1 to E–52, inclusive, under "Operating Expenses.")

103. Uncollectible Water Bills:

Charge to this account (and credit the account receivable in which theretofore carried) the amount of any account for water services which, after a reasonably diligent effort to collect, has proved impracticable of collection. This account includes only uncollectible bills for amounts which have been treated as operating revenues; other uncollectible bills should be charged to Account No. 105–G, "Uncollectible Non-operating Revenues," or to Corporate Surplus or Deficit Account, as may be appropriate.

104. Non-operating Revenues:

A. *Rents from Buildings, Land and Apparatus.* Credit to this account as it accrues rent from the rental of buildings, land and water apparatus and appliances. Where the contract of rental includes the setting and connection of such apparatus and also its maintenance by the corporation, the total earnings from such rental shall be credited to this account.

B. *Interest and Dividend Revenues.* Credit to this account monthly all revenues accruing to the corporation, not retained in specific sinking or other reserve funds, from interest upon all its bank balances, special deposits, and other assets, when such interest is a liability of solvent concerns or individuals, and from dividends declared or guaranteed by solvent concerns upon stocks held by the corporation. No interest or dividends upon securities issued or assumed by the accounting corporation shall be credited to this account nor to any other revenue account.

Class A corporations will subdivide the revenue included herein and keep separate accounts for—

a. Interest Revenues on Funded Debt owned.
b. Miscellaneous Interest Revenues.
c. Dividend Revenues.

C. *Sinking and Other Reserve Fund Accretions.* Credit to this account and charge the appropriate fund or its trustee monthly the revenues accruing from securities and other assets in the hands of trustees or specifically set aside for sinking and other special funds, when the revenues are retained as a part of the funds. Such revenues may include appropriations equal to interest upon securities issued or assumed by the accounting corporation where such securities are acquired through the operation of a sinking or other reserve fund.

Note.—If the assets of a fund are to be represented by a reserve from surplus, concurrent entries should be made charging Account No. 113, "Sinking Fund Appropriation," or Account No. 114–E "Appropriations to Reserves," crediting Account No. 34, "Reserves Invested in Sinking Funds," or No. 35, "Other Reserves from Income or Surplus," as may be appropriate.

D. *Profits from Operations of Others.* Whenever in accordance with the terms of any contract the corporation is entitled to participate in the

profits from operations of others, all revenues accruing to the corporation from such source shall be credited to this account.

NOTE.—This account does not include any dividends on stocks nor any remuneration for services.

E. *Miscellaneous Non-operating Revenues.* Credit to this account all non-operating revenues not provided for in the foregoing accounts.

105. NON-OPERATING REVENUE DEDUCTIONS:

A. *Rent Expenses.* Charge to this account all expenses arising in connection with the procuring of revenues from rented property, such as the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collector's commissions, cost of enforcing payment of rent, cost of ousting tenants, etc. This includes the expenses accruing while the property is idle and awaiting an occupant; also the cost of maintenance of the property when such cost is borne by the corporation. Such maintenance includes depreciation as well as reparable wear and tear. It does not include taxes.

B. *Interest Expenses.* Charge to this account all expense arising in connection with procuring interest upon investments, such as expense of collection, expense of investigating delay in payment, expense of enforcing payment, and the like. It does not include taxes on such investments.

C. *Dividend Expenses.* Charge to this account all expense arising in connection with the collection of dividends on stocks of other corporations, including expenses incurred in the investigation of the affairs of the corporations whose stocks are held, whether for the purpose of detecting mismanagement or for the purpose of inducing the declaration of dividends, and all expense connected with enforcing payment of dividends when declared. It does not include taxes on such investments.

D. *Others' Operations Expenses.* Charge to this account the cost of negotiating contracts whereunder the corporation is to participate in the profit resulting from the operations of others; also all expense of collecting the corporation's proportion of such profits, and all expense connected with procuring the modification or the dissolution of any such contract.

E. *Miscellaneous Non-operating Expenses.* Charge to this account all non-operating expense not provided for in the foregoing sub-accounts.

F. *Non-operating Taxes.* Charge to this account all taxes payable by the corporation accrued upon non-operating property, and all taxes assignable to non-operating revenues.

G. *Uncollectible Non-operating Revenues.* When any non-operating revenues are judged by the corporation to be uncollectible, the amount thereof shall be credited to the account in which theretofore charged and charged to this account.

106. Interest Accrued on Funded Debt:

Charge to this account monthly all interest accrued on outstanding funded debt issued or assumed by the corporation. This account does not include interest on securities held by the corporation in its treasury, in sinking or other reserve funds, or pledged as collateral.

Note A.—The amount charged to this account shall be concurrently credited to Account No. 25, "Interest Accrued," to which account shall be debited payments made on account of interest.

Note B.—If any of the funded debt securities issued or assumed by the corporation are held in its sinking or other reserve funds and the interest on such funded debt is an accretion to the fund, the interest on such securities shall not be charged to this account but an amount equal to the interest on the funded debt so held shall be charged to Account No. 113, "Sinking Fund Appropriations." This does not apply to securities in funds held in trust by the corporation, such as employees' pension funds and savings funds.

107. Other Interest Deductions:

Charge to this account monthly all interest accrued on receivers' certificates and on interest bearing unfunded obligations of the corporation.

Note A.—The amount charged to this account shall be concurrently credited to Account No. 25, "Interest Accrued," or to No. 21, "Receivers' Certificates," to which accounts shall be debited payments made on account of such interest.

108. Rent Deductions:

Charge to this account monthly all amounts accrued against the corporation for rents, other than minor rents provided for elsewhere as chargeable to operating expenses. It includes the matters provided for in the following sub-accounts:

A. *Rent for Lease of Other Water Plant.* Charge to this account monthly all amounts accrued against the corporation for rent of water plant and equipment which it holds under some form of lease from another, and of which it has the exclusive possession.

This account is intended to cover only rents payable for the use of water plant or operating units held as a whole under some form of lease.

B. *Miscellaneous Rent Deductions.* Charge to this account rents payable accrued not provided for elsewhere.

109. Amortization of Debt Discount and Expense:

Charge to this account at or before the close of any fiscal period that proportion of the unamortized discount and expense on outstanding debt which is applicable to the period. This proportion shall be determined according to a rule, the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the discount at which such debt was issued and the debt expense connected therewith. Such amortization may at the option of the corporation be earlier affected by charging all or any portion of such discount and debt expense to Account No. 114–G, "Other Deductions from Surplus," immediately upon issue of the debt or thereafter.

110. Amortization of Premium on Debt—Cr.:

Credit this account at or after the close of any fiscal period the proportion of the premium at which outstanding debt was issued which is applicable to the period. This proportion shall be determined according to a rule, the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the premium at which such debt was issued.

111. Miscellaneous Deductions from Income:

Charge to this account the matters provided for in the following subaccounts:

A. *Loss on Operations of Others.* Whenever, in accordance with the terms of any contract, the corporation is bound to contribute toward reimbursement of the losses resulting from the operations of others, all liabilities accruing to the corporation from such source shall be charged to this account.

B. *Amortization of Landed Capital.* Charge to this account at the close of any fiscal period such portion of the original money cost (estimated if not known) of landed capital as is necessary to cover the proportion of the life thereof expired during such period.

Note A.—The amounts charged to this account shall be concurrently credited to Account No. 30, "Reserve for Amortization of Intangible Capital."

Note B.—When any landed capital expires or is otherwise retired from service (as, *e. g.*, through sale) the capital account or investment account (if any) originally charged therewith shall be credited with the amount originally charged; Account No. 30, "Reserve for Amortization of Intangible Capital," shall be debited with all amounts theretofore credited to such account in respect of such landed capital so going out of service, the appropriate account shall be debited with the proceeds of sale (if any), and any necessary adjustment shall be made through the "Corporate Surplus or Deficit" account.

C. *Other Contractual Deductions from Income.* Charge to this account all deductions from gross income which are in the nature of fixed charges and not provided for otherwise, such as those required by the terms of some contract, agreement, charter provision, law, or ordinance. Such deductions should not include any appropriations or dispositions of income that rest solely in the discretion of the accounting corporation.

Note.—Payments to sinking funds shall not be charged to this account but shall be included in Account No. 113, "Sinking Fund Appropriations."

CORPORATE SURPLUS OR DEFICIT ACCOUNT.

Corporate Surplus or Deficit Account Defined:

This account or summary is the connecting link between the income account and the balance sheet. It summarizes the changes in the corporate surplus or deficit during a given fiscal period resulting from the business transactions during that period as well as those affected by any disposition of net profits made solely at the option of the corporation, by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere.

To this account should be carried the net balance of the accounts forming the Income account, and in it should be summarized all optional appropriations (including dividends); miscellaneous adjustments due to errors in accounting in prior fiscal periods; profits from the sale of securities or other property; losses upon property sold or otherwise retired and not covered by reserves, and unusual losses and gains of like nature. For these matters the following accounts are provided; their net balance added to the net balance from the Income account should show the net surplus or deficit on the date of the balance sheet.

112. Dividends on Outstanding Stock:

When any dividend is declared upon any outstanding stocks of the corporation, the amount of such dividend shall thereupon be charged to this account. All entries to this account shall show the amount of stock upon which the dividend is declared as well as the amount thereof. If the dividend is payable in anything other than money, such thing shall be described in the entry with sufficient particularity to identify it, and the actual money value thereof shall be stated as the amount of the dividend.

When any dividend is declared upon the stocks of the corporation owned by or held in behalf of the corporation, the amount of such dividend thereon shall be credited to this account. Entries of credits to this account shall be made with the same degree of particularity as is prescribed in the preceding paragraph.

113. Sinking Fund Appropriations:

Charge to this account all appropriations to sinking funds and accretions to such funds on account of income from previous investments. Such appropriations should include: (1) direct payments: (2) sums equal to the interest or dividends on securities issued or assumed by the corporation and held in sinking funds; (3) income from investments of sinking funds other than securities issued or assumed; (4) income from cash or special deposits held by trustees of sinking funds. All earnings of sinking funds and contributions to such funds shall be included in this account whether such contributions are made at the option of the corporation or are required by the provisions of mortgages, deeds of trust, or other contracts.

114. Miscellaneous Deductions from Surplus:

A. *Expenses Unprovided for Elsewhere.* Charge to this account all expenses not chargeable as a part of operating expenses or of nonoperating expenses, such as fines levied on the corporation for violation of law, for misfeasance, etc., fines levied on directors, officers, and other employees of the corporation and assumed by it, donations to funds, to churches and other associations, and other like expenses and outgoes.

B. *Realized Depreciation Not Covered by Reserves.* Charge to this account the realized depreciation (that is, the difference between the original cost and the salvage, if any) on tangible capital retired, when such depreciation has not been provided for through a depreciation reserve. This includes such portion of the realized depreciation on any physical property which was installed prior to the creation of the reserve for accrued depreciation as is due to life in service before that date; this portion may be estimated on the basis of the proportion which the life in service of the property in question prior to the establishment of the reserve bears to its entire life in service.

C. *Amortization Unprovided for Elsewhere.* Charge to this account when any intangible property expires or is relinquished, such portion of its cost as has not been previously written off or is not covered by Account No. 30, "Reserve for Amortization of Intangible Capital." Charge also to this account all optional amortization, such as that of organization expenses, and assets, carried in Account No. C–4, "Other Intangible Capital."

D. *Gifts to Controlled Corporations.* Charge to this account all gifts made by the corporation to its controlled corporations, also such portions of all advances thereto as are not carried as assets.

E. *Appropriations to Reserves.* Charge to this account all optional appropriations to reserves.

F. *Other Appropriations from Surplus.* Charge to this account all optional appropriations made by the corporation and not provided for elsewhere.

NOTE.—A complete analysis of this account will be required in annual reports of corporations to the Railroad Commission.

G. *Other Deductions from Surplus.* Charge to this account all deductions from surplus made to extinguish discount on stocks outstanding, optional amortization of debt discount and expense, deductions because of erroneous accounting in prior fiscal periods, and all other deductions from surplus not provided for elsewhere.

NOTE.—A complete analysis of this account will be required in annual reports of corporations to the Railroad Commission.

115. MISCELLANEOUS ADDITIONS TO SURPLUS:

Credit to this account all additions to surplus due to erroneous accounting in previous fiscal periods, bad debts collected after being written off, profits arising from the sale of securities or other property, etc.

OPERATING REVENUES—WATER.

EXPLANATION:

Revenue defined. By revenues, as the word is used herein, are meant all amounts of money which the corporation receives or becomes lawfully entitled to recover for services rendered, for products sold, as

gross profits on merchandise sold, or as a return upon its property (or interest in property). Revenues are classified as OPERATING REVENUES and NON-OPERATING REVENUES.

Operating revenues defined. Operating revenues are those derived from the sale of products and merchandise, from services rendered, and from return on property used by the person or corporation in its own operations.

Non-operating revenues defined. Non-operating revenues are those derived as a return upon the property of the corporation in the hands of others or from its interests in property in the hands of others. They may be sub-classified as RENTS, INTEREST, DIVIDENDS, and MISCELLANEOUS.

Revenue deductions defined. Revenue deductions include EXPENSES, TAXES, and UNCOLLECTIBLE BILLS.

R–1. EARNINGS FROM COMMERCIAL SALES:

Credit this account with all revenue from water sales to commercial consumers, both where the revenue is dependent upon the quantity of water taken as received by meter or at a flat rate. Commercial consumers embrace residences, offices, apartment houses, retail commercial establishments, etc., where water is not used primarily for power or industrial purposes. Water sold to the municipality for use in public buildings and not included in the contract for hydrant rentals, and other municipal uses, will be credited to this account. Where a discount is allowed for prompt payment of bills, or penalty is added for non-payment on a fixed date, such discount or penalty shall be charged or credited to this account. The earnings shall be subdivided and reported separately to the Railroad Commission as follows:

A. Commercial earnings—flat rate.
B. Commercial earnings—metered.

R–2. EARNINGS FROM INDUSTRIAL SALES:

Credit this account with all earnings from the sale of water for power and industrial purposes to manufacturers and industrial establishments.

Discounts allowed for prompt payment of bills or penalties added for non-payment on a fixed date (such as discounts or penalties) shall be charged or credited to this account. The earnings shall be subdivided and reported separately to the Railroad Commission as follows:

A. Earnings from Industrial Sales—flat rate.
B. Earnings from Industrial Sales—metered.

R–3. EARNINGS FROM MUNICIPAL HYDRANT RENTALS:

Credit to this account all revenue from the municipality for hydrant rental. Where the hydrant rental paid by the municipality includes the use of water for street sprinkling and flushing purposes, and such

water is not being separately metered, the total revenue collected under the contract for hydrant rental will be credited to this account.

R–4. Earnings from Sale for Street Sprinkling:

Credit to this account all earnings from sale of water for street sprinkling, both to individuals and contractors engaged in sprinkling streets, parks, and thoroughfares, and also with sales to the municipality where such sprinkling is performed by the city.

R–5. Earnings from Sales to Municipal Departments:

Credit to this account all earnings from the sale of water to municipal departments other than for street sprinkling if such is performed by the municipality. This includes earnings from the sale of water for sewer and street flushing, street constructions, filling fire cisterns and basins, etc. Where a separate contract is entered into for water services at public buildings, as schools, police and fire stations, city hall, etc., revenue collected under such contracts will be credited to this account, and a record kept of revenue received under each separate contract.

R–6. Earnings from Sales for Irrigation:

Credit to this account all earnings from the sale of water for irrigation purposes at rates specially made, in any manner applied to units of consumption.

R–7. Miscellaneous Earnings from Operations:

Credit to this account all earnings from operating transactions not properly included in the preceding accounts.

OTHER OPERATING REVENUES.

R–8. Profit on Merchandise Sales:

Credit to this account the receipts derived from the sale of water appliances and plumbing fixtures used in the consumption and utilization of water. Profit as used in the account, is defined as being the excess of the sales price over the cash cost; including the invoice cost, cost of handling, storage, etc.; charge this account with all expense for labor and material in connection with the sale of such appliance or merchandise. The net amount only, or the profit on sales, is to be carried to "Income Account." The credit and charges to this account shall be made in such a manner as to admit of a detailed analysis when called for by the Railroad Commission.

R–9. Profit on Piping and Connections:

Credit this account with all earnings derived from piping and connection work performed by the corporation. This includes earnings from services performed on the consumer's premises, such as piping, con-

necting and disconnecting house piping and water fixtures, the relocating of piping or apparatus, and other plumbing and fixture work.

If prospective consumers are charged for services performed by the corporation in connecting the house piping and plumbing with the service connection, or for laying such service piping, such earnings shall be credited to this account. Charge to this account all expenses for labor and material in connection with such operations. The net amount only, or the profit from piping and connection work being carried to the "Income Account." The credits and charges will be made in such manner as to admit of a detailed analysis when called for by the Railroad Commission.

WATER CORPORATIONS—OPERATING EXPENSE ACCOUNTS.

Definitions of Certain Terms Used in Connection with Expense Accounts:

Except where some other meaning is clearly specified in the definitions of the accounts, the following words, wherever used hereunder, have the meanings below stated:

Cost means cash or money cost, and not price based on a term of credit.

Labor means human services of whatever character.

Cost of labor includes wages, salaries and fees paid to persons for their services.

Cost of materials and supplies includes all specifically assignable transportation charges incurred in obtaining the delivery of such materials and supplies upon the premises of the purchaser, and cost of any special tests made thereon prior to their acceptance; and in case the accounting person or corporation desires, it may include a suitable proportion of store expense (when the materials and supplies are passed through stores) and the cost of further transportation to the place of consumption, and a suitable proportion of the expense of the purchasing department, in which case a corresponding credit shall be made to the suitable expense account as hereinafter provided.

Cost of repairs, when made by the accounting person or corporation, includes cost of labor expended and material consumed, less salvage, if any.

Note.—It is not required that the transportation element of cost shall be assigned with a greater degree of accuracy than to the nearest cent per unit of material or supply. Where a single transportation item covers a multitude of things the portion of the expense not assigned to specific things should be charged to the same account that store expenses are charged to.

GENERAL ACCOUNTS.

Pumping Expenses.
Distribution Expenses.
Commercial Expenses.
General and Miscellaneous Expenses.
Taxes.
Depreciation, etc.

Pumping Expenses.

E–1. Superintendence:

Charge to this account the salary and wages of superintendent of the pumping plant, the assistant superintendent, foremen, chemist, draftsmen and all clerical help upon records and accounts whether such services are performed at the general office or at the plant.

E–2. Pumping Labor:

Charge to this account the salary and wages of all employees engaged in operating pumping equipment. This includes such labor as that of chief engineer, assistant engineers, foremen, helpers, oilers, wipers, motor attendants, shovelers, weighers, feed pump men, blowing flues, cleaning boilers, and other labor in engine and boiler and pump room directly in connection with power pumps.

E–3. Purification Labor:

Charge to this account the salary and wages of all employees engaged in the purification of water. This includes such labor as cleaning basins, removing ice, etc., scraping sand and all processes of water purification brought about by plain sedimentation with coagulation, treatment for softening; removal of iron, algæ, etc.; purification by slow and rapid sand filtration and other means.

E–4. Miscellaneous Labor:

Charge to this account the salary and wages of all employees in and about the pumping plant, such as watchmen, janitors, messengers, labor cleaning buildings and yards; also labor patrolling reservoirs, dams and channels, and other labor chargeable to pumping plant not included in the foregoing accounts.

E–5. Fuel for Steam:

Charge to this account the cost of all fuel used under boilers at pumping plant, whether coal, oil, gas or other fuel, at cost, plus freight charges, demurrage, and labor discharging and transferring fuel from point of delivery to place of storage.

E–6. Power Purchased:

Charge to this account the cost of all steam, electricity, or gas purchased for the operation of prime movers at pumping plant.

E–7. Lubricants, etc.:

Charge to this account the cost of all lubricants for power pumping equipment and machinery, such as cylinder oil, machine oil, graphite, and other lubricants; also boiler compounds.

E–8. Purification Supplies and Expenses:

Charge to this account the cost of all supplies consumed and expenses incurred in the purification of water, such as chemicals, coagulants, and other supplies used in the process of water purification, softening, removal of iron, algæ, etc.

E–9. Miscellaneous Pumping Station Supplies and Expenses:

Charge to this account all operating supplies and expenses of pumping plant not chargeable to any of the preceding accounts; such as waste, packing, wipers, hose, gaskets, gauge glasses, hand tools, gas and electricity for lighting, heating and cleaning pumping station, laboratory apparatus and supplies, ice, water for general use and fire protection and all items of similar nature. Charge this account with stationery, telephone, etc.

E–10. Repairs to Power Pumping Equipment:

Charge to this account all labor and material used in repairing power pumping equipment. This includes repairs to steam, hydraulic, electric and gas power pumps and pumping equipment.

Note.—The accounting corporation may, if it so desires, subdivide this account in order to show details of cost of

A. Maintenance of Prime Movers.
B. Maintenance of Pumps.

E–11. Repairs to Boiler Room Auxiliary Equipment:

Charge this account with all expenses for labor and material in repairing boilers and furnaces, iron, steel and brick smoke stacks, feed pumps, water feed pipes, injectors, economizers, water heaters, superheaters, valves, grates, flues, mechanical stoker equipment, pipings, steam exhaust system, boiler water supply mains, etc.; repairing coal and ash conveyors, trolley and cable towers, crushers, belt links, conveyor cars, winches, buckets, shafts, chains, etc.

E–12. Repairs to Pumping Station Auxiliary Equipment:

Charge to this account all labor and material used in repairing pumping station auxiliary equipment such as repairs to condensers, vacuum pumps, oiling systems, shafting, belting, rope and cable drives, clutches, pulley and idler wheels, and auxiliary motors, hoists, cranes and other auxiliary electric equipment, gas conductor and exhaust pipes and other gas producer apparatus.

E–13. Repairs to Pumping Station Miscellaneous Equipment:

Charge to this account all labor and material used in repairing miscellaneous equipment not includible in foregoing accounts. This includes repairs to wagons, harness, automobiles, motorcycles, bicycles, shoeing horses, furniture and fixtures, etc.

E–14. Repairs to Surface Source of Supply:

Charge to this account all expenses for labor and material incurred in making repairs to surface source of supply. This includes repairs to river and lake source, impounding reservoirs, dams, artificial lakes and ponds, canals, conduits, embankments, channels, waste weirs, gates, valves, gate structures, pipe lines, flumes, aqueducts, supporting trestles, viaducts, and repairs to work for utilizing flow from springs.

E–15. Repairs to Ground Source of Supply:

Charge to this account all expenses for labor and material incurred in making repairs to the ground source of water supply. This includes repairs to large open wells, shallow tubular wells, deep artesian wells, etc., the removal of sand or corroded material and repairs to well casing, repairs to filter galleries, etc.

E–16. Repairs to Collecting Aqueducts, Intakes and Supply Mains:

Charge this account with all expense for labor and material in making repairs to the collecting aqueducts, intakes and supply mains, between the source of supply and the pumping equipment at the station. This includes the periodical scraping to remove organic growth and incrustation, repairs to masonry of aqueducts and channels, seeking and repairing leaks, repairing pipes and removing and replacing worn sections and fittings, caulking, protecting exposed parts of undermined supply mains, with the necessary bracing and digging in connection therewith, repaving and repairs to valves, hatch boxes, manholes, etc., repairs to regulating valves, screens and wet wells, repairs and renewals of grating, fish screens and repairs to submerged and exposed cribs, intake towers and other structures, sluice gates, etc.

E–17. Repairs to Purification Plant:

Charge this account with all labor and material incurred in making repairs to the purification plant. This includes repairs to settling basins, renewing and washing sand and repairs to all other equipment used in the purification of water by plain sedimentation, sedimentation with coagulation, treatment for softening and removal of iron, algæ, etc.; purification by slow and rapid sand filtration, mechanical filters, etc.

E–18. Repairs to Pumping Station Buildings, Fixtures and Grounds:

Charge this account with all expenses for labor and material incurred in repairing buildings, fixtures and grounds, including permanent apparatus, foundations for engines, pumps and boilers, etc.

Distribution Expenses.

E–19. Patrolling Storage Facilities:

Charge this account with the salaries and wages of all employees engaged in patrolling the distribution storage facilities. This includes the wages of employees stationed at the distribution storage reservoirs, inspection of tanks and standpipes, etc., including minor repairs made by patrolmen.

E–20. Meter and Fittings Department Expenses and Supplies:

Charge this account with all expenses for labor and material, removing and resetting meters on the premises of the consumers, meter shop clerks, employees keeping shop records, readjusting, painting, replacing worn gears, wearing parts and dials, testing and repairing old meters, repairing and replacing connections, meter fittings, etc., meter unions and cocks, and changing meters for routine tests, expenses such as light, fuel, gas, electricity and water used for operating machinery and for testing in this department, hand tools, etc.

E–21. Street Department Expenses and Supplies:

Charge this account with expenses for labor and materials, inspecting the distribution system, flushing mains and hydrants, pumping out hydrants, taking street pressure, and clerical help in connection therewith. This account also includes all tools used by street department force and the repair thereof, office supplies, etc.

E–22. Customers' Premises Expenses:

Charge this account with all labor and material required for adjusting house piping, plumbing and water fixtures, including the cost of new appliances or devices put in to better the service, and not properly chargeable to repairs, investigating reports of poor service, or large bills, including inspection and testing of house plumbing, labor changing meters for request tests, and inspecting new plumbing, including car fare, meals, etc., of employees engaged in such work.

E–23. Repairs to Transmission Mains:

Charge this account with all labor and material incurred in repairing, changing position of or replacing transmision main between the pumping station and distribution reservoirs, tanks, etc.; this account to include such expense as seeking and repairing leaks, repairing pipes and removing and replacing worn sections and fittings, caulking, pro-

tecting exposed parts of undermined mains, digging and bracing in connection with such work, repaving and repairing manholes, etc., together with all material and supplies consumed in thawing pipes and scraping to remove incrustation.

E–24. Repairs to Reservoirs, Tanks, and Standpipes:

Charge this account with all labor and material used in repairing distribution reservoirs, tanks, and standpipes. This includes repair to masonry and linings due to settlement of underlying material, frost action or from other cause; caulking and repairing with cement grouting, asphalt or other waterproof material, painting and caulking standpipes and tanks, replacing parts due to decay or excessive corrosion or electrolysis, and replacement of hoops, repairs to valves, etc.

E–25. Repairs to Distribution Mains:

Charge this account with all labor and material used in repairing, overhauling, changing position of or replacing distribution mains. This includes seeking and repairing leaks, repairs to pipes, replacing and removing worn sections and fittings, caulking, protecting exposed parts of undermined mains, repaving and repairs to manholes, the cost of all supplies used, and expenses in connection with thawing such mains and removing incrustation.

E–26. Repairs to Fire Cisterns, Basins, Fountains and Troughs:

Charge this account with all labor and material in repairing fire cisterns and basins, overhauling and changing positions of fountains and troughs. This includes repairs to masonry and lining due to settlement of underlying material, due from frost action or from other causes, caulking and repairing with cement and other waterproof material, replacing worn parts and repairs and renewals to connecting piping and fittings, painting, etc.

E–27. Repairs to Services:

Charge this account with all labor and material in repairing, overhauling and changing position of water service connections. This includes such repairs as seeking and repairing leaks, cleaning and scraping out service pipes, repairing and renewing service pipe connections to meters, including stop cocks, service boxes, changing and extending old service pipes to put meters in better location, thawing out service pipes, etc.

E–28. Repairs to Hydrants:

Charge this account with all labor and material in repairing hydrants. This includes repairs and renewal of parts, including digging and filling in connection with such repairs, painting, replacing worn fittings, protecting exposed parts of undermined hydrants and connections, and changing location of hydrants.

E–29. Repairs to Distribution Buildings, Fixtures, and Grounds:

Charge to this account all labor and material incurred in repairing buildings, fixtures and grounds devoted exclusively to the distribution system.

E–30. Repairs to Distribution Miscellaneous Equipment:

Charge to this account all labor and material repairing miscellaneous equipment of the distribution system. This includes repair of tools and appliances (working stock only), wagons, harness, automobiles, motorcycles, bicycles, furniture and fixtures (when not a permanent part of buildings), shoeing horses, etc.

Commercial Expenses.

E–31. Collections, Reading Meters, Etc.

Charge to this account all salaries and expenses of collection department employees, taking application for water service, reading meters, preparing, delivering and collecting bills and such expenses as stationery, stamps, etc.; the premium on surety bonds of employees of the collection department, and fees and commissions paid for collecting bills.

E–32. Promotion of Business, Salaries, and Expenses:

Charge to this account all salaries and expenses of all employees whose services are devoted to the promotion and extension of business, including canvassers, solicitors, demonstrators, distributors of circulars and advertising matter, all commissions paid to canvassers, solicitors and dealers for the introduction and sale of water appliances, etc., and such expenses as stationery and supplies, advertising in newspapers and periodical posters, dodgers, handbills, circulars, etc.

General Expenses.

E–33. Salaries of General Officers:

Charge to this account the salaries of general officers, including the President, Vice-President, General Manager, Secretary, Treasurer, Comptroller, Auditor, and all other officers whose jurisdiction extends over the entire business and whose services are not chargeable to any particular department.

E–34. Salaries of General Office Clerks:

Charge to this account the salaries of all clerks and assistants connected with the general office, except such as may be directly engaged in other departments, in which case their salaries should be charged to such departments direct. Where general office clerks also perform services for other departments, their salaries will be apportioned accordingly and charged to the respective departmental account in accordance with service performed.

E–35. Miscellaneous General Office Supplies and Expenses:

Charge to this account the cost of all supplies and expenses such as messenger and janitor service, newspapers and periodicals, directories, telegrams, exchange on remittances, books, stationery and telephone, etc., rent of general offices, heating of general offices, etc.; also traveling and incidental expenses of general officers and attendants.

E–36. Law Expenses—General:

Charge to this account all law expenses except those incurred in connection with the defense and settlement of injury and damage claims; the salaries and expenses of counsel, solicitors and general attorneys, their clerks and attendants, etc. All law books, printing briefs, legal forms, testimony, reports, fees and retainers of general counsel and attorneys, court costs and payment of specific notarial and witness fees, expenses of taking depositions, and other general law and court expenses. Expenses of arbitrators of disputed points should also be charged to this account.

E–37. Railroad Commission Expense:

Charge to this account all fees and expenses of counsel, solicitors, attorneys, clerks, attendants, expert witnesses, and others whose services are secured in the defense and prosecution of all petitions and other transactions before the Railroad Commission of California.

Expenses which are made necessary by rules, regulations, and order of the Commission, as improvement of service, additional inspection, etc., will not be charged to this account but direct to department expense account affected.

E–38. Injuries and Damages:

Charge to this account all damages to or destruction of property other than that owned by the corporation, and all expenses incident to injury or death to employees, and other persons for whose injury or death the corporation is held liable, or in the settlement of which claim allowances are made. This includes judgment for damages, accident, or death, and plaintiff's court costs, proportion of salaries and expense or fees of physicians and surgeons, expense of undertakers, nurses and hospital attendants, medical and surgical appliances and salaries and expenses paid to disabled employees, salaries and expenses of claim agents, adjusters and their assistants; the compensation of general counsel and attorney of the corporation, and other attorneys while engaged in the defense and settlement of damage suits.

Note A.—Corporations are at liberty to subdivide this account to show the following expenses:

A. Injuries to Persons.
B. Damages to Property.

Note B.—Where such subdivision is not made, the account should be so kept as to admit of the separation over two such sub-accounts when called for by the Railroad Commission.

E–39. Relief Department and Expenses:

Charge to this account pensions paid to retired employees or representatives of former employees and expenses in connection therewith, salaries and expenses incurred in conducting a relief department, and contributions made to such department.

E–40. Water Franchise Requirements:

Charge to this account the cost of all service and materials and supplies furnished to municipal corporations in compliance with franchise requirements and for which no payment is received by the corporation; also of all direct expense, such as paving and other like matters incurred in compliance with such requirements and for which no reimbursement is received by the corporation. Amounts charged to this account for which there is no direct money outlay shall be credited to Account No. E–45, "Undistributed Adjustments—Balance."

E–41. Other General Expenses:

Charge to this account such incidental general expenses as are not provided for in the foregoing accounts, such as cost of publishing notice of stockholders' meetings, of election of directors, annual reports in newspapers, and of dividends declared; and fees and expenses paid to directors.

E–42. Insurance:

Charge to this account premiums paid to insurance companies for fire, fidelity, boilers, casualty, burglary and all other insurance; also amounts set aside as an insurance reserve if it is decided to open such an account.

E–43. Repairs to General Structures:

Charge to this account the cost of repairing all buildings and other structures of a permanent character devoted to general purposes, such as general office buildings, general shop buildings, general storehouse buildings, general stable buildings, etc. This includes such repairs as all fixtures attached to and made a permanent part of the buildings, such as water pipes and fixtures, steam pipes, and fixtures for warming and ventilating, gas pipes, electric wiring, elevators, etc., and the engines and motors specially provided for operating them, foundation for machinery and apparatus as are designed to be as permanent as the buildings in (or in connection with) which they are constructed, and to outlast the first machinery installed and mounted thereon.

Note.—Where general offices, shops, stables, etc., are includible in buildings forming a part of the pumping or distribution system, no part of the cost of repairs should be charged to this account.

E–44. Repairs of General Equipment:

Charge to this account the cost of repairing all equipment of general offices, general shops, general stores, and general stables, etc. This includes all repairs of desks, chairs, tables, filing cases, drafting room equipment, etc., and of shops such as furnaces, boilers, engines, machine tools, smithing equipment, shafting, belts, etc.; and of store such as movable counters, shelving and other movable equipment of like nature, carts, barrows, trucks, etc., and other apparatus used in handling material, and of stables such as wagons, harness, automobiles, bicycles, etc., shoeing horses, and all equipment of shoeing shops.

Note A.—Counters, shelving and the like which are permanently attached to the structure shall be charged to Account No. E–43, "Repairs to General Structures."

Note B.—The Accounting Corporation may, if it so desires, subdivide the account under sub-accounts, as under, in order to keep record of cost of repairs to various classes of equipment.

A. General Office Equipment.
B. General Shop Equipment.
C. General Store Equipment.
D. General Stable and Garage Equipment.

E–45. Undistributed Adjustments—Balance:

At least once a year an inventory of materials and supplies and of tools shall be taken, and the difference between the inventories and the ledger balances shall be debited or credited to this account in case it can not be assigned to specific accounts as provided under Account No. 9, "Materials and Supplies." Credit to this account all discounts recovered through the prompt payment of bills for material and supplies consumed in operation unless such discounts are applied to the particular bills; also amounts included in expenses, as provided in Account No. E–40, "Water Franchise Requirements."

E–46. Water Expenses Transferred—Cr.:

Credit to this account the proportion of operating expenses (including depreciation and other amortization, as well as repairs) chargeable to other coördinate departments within the same corporation, but defrayed in the first instance by the water department.

Note.—Do not credit to this account any allowance in the nature of rent or returns upon the cost or value of property.

E–47. Joint Operating Expenses—Cr.:

When any general or miscellaneous operating expenses are assumed by the accounting corporation for the joint benefit of itself and other water corporations under an arrangement for apportioning such expense, the portion chargeable to others should be credited to this account. The portion so credited must not include any allowance for profit or return upon the value of the property.

Note.—Bills rendered for joint expenses should show the expenses in detail and the debtor corporation should distribute the total amount to its primary expense accounts.

E–48. Extraordinary Repairs:

Charge to this account and concurrently credit to account, "Reserve for Extraordinary Repairs," the estimated monthly provision for extraordinary repairs necessitated by sleet storms, fire, floods, etc.

E–49. Repairs Charged to Reserves—Cr.:

Credit to this account and charge concurrently to the account, "Reserve for Accrued Depreciation," an amount equal to the cost of extraordinary repairs for which provision has been made in that reserve; also credit to this account and charge concurrently to the insurers or to the insurance reserve an amount equal to the cost of repairs made necessary by casualties when such cost is covered by insurance or an insurance reserve. All such repairs should be charged in the first instance to the proper repair accounts.

TAXES.

E–50. Taxes:

This account should be charged (account Taxes Accrued being credited) regular monthly installments sufficient to cover all taxes imposed by lawful authority.

A. Upon property real, personal and mixed (except assessments for betterment to real estate, which should be charged to account benefited).

B. Upon earnings in addition to or in lieu of taxes upon property.

C. All specific licenses or charges levied upon the corporation based upon or with respect to its capital stock, property or business.

D. The value of all discounts allowed or services rendered in lieu of taxes.

Note.—The amount of taxes accrued during any month shall, when the levy is unknown, be estimated, and when the levy is finally determined the estimate shall be corrected in the provision for taxes during the remainder of the year. For example. if at the beginning of the tax year the taxes against the corporation are estimated to be $600 for the year, the estimated monthly charge will be $50. If during the fifth month it is found that the levy is $640, adjustment should be made and a charge of $55 per month made to Taxes for the remaining eight months of the tax year.

GENERAL AMORTIZATION OF CAPITAL.

E–51. Amortization of Franchises and Patents:

Charge to this account each month the amount necessary to cover such portions of the life of franchises and patents as has expired or been consumed during the month. The amount so charged shall be concurrently credited to an appropriate sub-account under Account No. 30, "Reserve for Amortization of Intangible Capital."

Note.—The amount so charged to this account shall be based upon a rule determined by the accounting corporation and filed with the Railroad Commission. The purpose and effect of such rule should be to accumulate by charges equitably distributed throughout the life of any franchise or patent, a reserve that will, at the expiration of its life, equal the original cost.

E–52. Depreciation of Plant and Equipment:

Charge to this account monthly the amount estimated to be necessary to cover the depreciation accruing during the month in the corporation's tangible capital. The amount charged to this account shall be concurrently credited to account, "Reserve for Accrued Depreciation."

Note.—Charges to above depreciation account should be reported separately under the following sub-heads:

A. Depreciation on Pumping Capital.
B. Depreciation on Distribution Capital.
C. Depreciation on General Capital.

CLEARING ACCOUNTS.

(Not required of Class B and C Corporations.)

The following accounts are provided for certain expenses which usually affect several classes of operations but need to be brought together in one account in order that the total of the expenses may be known and properly distributed.

An inventory of tools, harness, vehicles, and other materials and supplies in shops, stores, stables, and garages shall be taken at least once a year, and any loss disclosed by such inventory in excess of the amount taken into account through the depreciation currently charged out should be apportioned to the appropriate expense accounts on the basis of charges made since last inventory.

1. *Shop Expense.* This account or appropriate sub-accounts should be arranged so as to record separately the expenses of the general shops as follows: (1) Salary and wages of shop employees; (2) personal and incidental expenses of such employees; (3) materials and supplies for general shop use; (4) repairs of tools, machinery and appliances; (5) rent of shop buildings; (6) depreciation of tools, machinery, and appliances.

The shop expense account should be cleared by apportioning the total amount of the expenses to the various jobs on an equitable basis.

2. *Stable and Garage Expense.* This account or appropriate sub-accounts should be arranged so as to record separately the expenses of stables and garages as follows: (1) Salaries and wages of drivers, chauffeurs, stablemen, garagemen, and other employees in stables and garages; (2) personal and incidental expenses of such employees; (3) materials and supplies, including fuel and gasoline, harness, tires, and other supplies for stables and garages; (4) repairs of automobiles and other vehicles and harness; (5) rent of buildings or vehicles; (6) depreciation on vehicles, horses, harness, etc.

Credit to this account any charges for service performed for others.

A record should be kept of the use of teams and automobiles, and each month the total expense should be apportioned to the proper accounts according to use, or the debits to the expense accounts may be

made at rates per hour of service which have been found to be fair and to distribute the total expense equitably.

3. *Tool Expense.* Charge to this account all expense for tools (except shop tools carried as supplies unissued). It includes the cost of small hand tools of which no account is kept after issue; the cost of repairing tools; the cost of tools lost or stolen, and depreciation on tools taken out of service because of breakage or other deterioration.

This account should be cleared by adding to the expense of repairs and cost of plant installed each month such amounts as will equitably distribute the total monthly expense for tools.

4. *Supply Expense.* Charge to this account or to appropriate sub-accounts all expenses (except insurance and taxes) incurred directly in connection with the purchase, storage, handling, and distribution of materials and supplies and stationery. It includes the pay and expenses of purchasing agents, managers of stores, clerks, and laborers; rents of stores, cost of lighting, heating, and undistributed freight and express charges, and the estimated depreciation on supplies due to breakage, leakage, shortage, and wear and tear. This account should be cleared by adding to the cost of materials and supplies passing through stores a suitable loading charge which will equitably distribute the total cost of conducting the stores, and by adding to the cost of such supplies as are bought by the purchasing department *pro rata* share of the total expenses of the purchasing department.

5. *Engineering Expense.* Charge to this account or appropriate sub-accounts all expenses for engineering so as to show separately the following: (1) Salaries and wages; (2) personal and incidental expenses of engineering department employees; (3) rent of office and office expenses.

This account should be cleared by apportioning the total expenses to Operating Expense and Fixed Capital accounts on the basis of service rendered, as determined by the actual time devoted to particular jobs or an equitable basis fixed by the officers of the corporation.

6. *Plant Supervision Expense.* Charge to this account the cost of general supervision of the maintenance and construction of the plant where a separate department of the corporation's organization is charged with such supervision. It includes the pay and expenses of the plant supervising officers, such as the general plant superintendent, district plant superintendent, plant engineers and their office and field forces, charged with planning for and superintending the work of maintenance and plant construction.

The account or appropriate sub-accounts should be so arranged as to show in detail the expenses of the plant supervision department as follows: (1) Salaries and wages; (2) personal and incidental expenses of employees; (3) rent of offices and office expenses.

This account should be cleared each month by charging directly to the appropriate accounts such expenses as can be allocated to particular pieces of work and by charging out the balance on the basis of labor employed in all construction or maintenance work in progress during the month.

NOTE.—The pay of general foremen and foremen in direct charge of jobs should be included in the cost of the job and not charged to this account.

Every water corporation shall include in its expenses depreciation charges for the purpose of creating proper and adequate reserves to cover the expenses of depreciation currently accruing in its fixed capital, and for that purpose three accounts are provided for the expense of depreciation as above: Account E–52, "Depreciation of Plant and Equipment"; Account E–48, "Extraordinary Repairs"; Account E–51, "Amortization of Franchises and Patents."

By "Expense of Depreciation" is meant the loss suffered through the current lessening in value of tangible property from wear and tear, decay, obsolesence, or inadequacy resulting from use, age, physical change or supersession by reason of new inventions and discoveries, changes in popular demand, or public requirements; also losses suffered through destruction of property by extraordinary casualties and decreases in the values of intangible property through lapse of time.

The amount charged as expense of depreciation shall be based upon values determined by the accounting corporation. Such rules may be devised from a consideration of the corporation's history and experience. Whatever may be the basis, the rules and a sworn statement of the facts and expert opinions and estimates upon which they are based shall be filed with the Railroad Commission. Each amendment of any rule, together with statements and opinions, shall be also filed with the Railroad Commission, before they are put into effect by the accounting corporation, and shall show the date when they are to become effective.

WATER CORPORATIONS.

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